

NORTHERN CANADA MINES, LIMITED

Annual Report

FOR THE YEAR ENDED SEPTEMBER 30, 1977
AND
FOR THE THREE MONTHS ENDED DECEMBER 31, 1977

DIRECTORS

J. E. IRVING Saint John, New Brunswick
A. G. KIRKLAND Saint John, New Brunswick
D. A. MACFARLANE Saint John, New Brunswick
DR. A. L. McALLISTER, Fredericton, New Brunswick
L. McC. RITCHIE Saint John, New Brunswick

OFFICERS

L. McC. RITCHIE *President*
A. G. KIRKLAND *Vice-President*
D. A. MACFARLANE *Secretary and Treasurer*
MRS. M. JONES *Ass't.-Secretary*

ANNUAL MEETING

March 29th., 1978; 10:30 a.m. (Toronto Time)
Saskatchewan Room, Royal York Hotel, Toronto, Ontario



NORTHERN CANADA MINES, LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your directors submit herewith the annual report of the Corporation for the year ended September 30, 1977 and for the three months ended December 31, 1977 which includes the audited financial statements of the Corporation for those periods.

Earnings for the periods reported on herein are relatively consistent with those of the year 1976. There continues to be a modest improvement in the Corporation's working capital.

During 1977, your directors considered the matter of the Corporation's fiscal year and decided it would be better to have the fiscal year coincide with the calendar year. This would put your Corporation's financial reporting into line with that of Consolidated Rambler Mines Limited (Rambler) in which we have a 20.6% interest. Accordingly by-law No. 16 was passed by the directors, a copy of which is appended to the information circular which accompanies the notice of the 1978 annual meeting of shareholders. At the shareholders' meeting to be held on March 29, 1978, confirmation of this by-law by the shareholders will be sought.

Rambler had another difficult year in 1977 due to the relatively low price of copper and the necessity for continued research into the control of impurities in its concentrate. Early in 1977, the company reverted to a full production schedule in an effort to reduce unit costs. Further research into milling processes led to changes which, in the fourth quarter of 1977, yielded a concentrate with an improved grade of copper and an acceptable level of zinc and other penalty elements. Because of this and on the basis of valuing copper contained in concentrate at 61c per lb., Rambler declared a profit of \$51,808 (2c per share) in 1977 compared with a loss of \$95,644 (3c per share) in 1976. While it is gratifying to see Rambler declare a profit in 1977, it is obvious to shareholders that the return on capital is inadequate and that dividends cannot be expected unless there is a material improvement in that level of Rambler earnings.

The Corporation's mining properties have been maintained in good standing but no active work was carried out in 1977. The economics of iron ore production in the Great Lakes area of Canada is still such as to discourage any new mines in that area.

There has been no change in the Board of Directors or management of your Corporation in 1977.

On behalf of the Board,

L. McC. RITCHIE,
President

Saint John, N. B.
February 10, 1978

NORTHERN CANADA MINES, LIMITED

BALANCE SHEET AS AT SEPTEMBER 30, 1977

AND DECEMBER 31, 1977

A S S E T S

	December 31 1977 \$	September 30 1977 \$	September 30 1976 \$
Current Assets			
Cash	3,729	4,963	2,552
Accounts receivable	246	235	402
Short-term deposit	74,000	70,000	65,000
	<u>77,975</u>	<u>75,198</u>	<u>67,954</u>
Investments (note 1) (quoted value			
December 31, 1977 — \$705,873;			
September 30, 1977 — \$932,799;			
September 30, 1976 — \$932,155)	612,526	612,526	612,526
Mining Property (note 2)	50,796	50,796	50,796
Office Furniture and Equipment — at nominal value	1	1	1
Deferred Exploration Expenses Less Amortization (note 2)	153,055	153,789	156,725
	<u>894,353</u>	<u>892,310</u>	<u>888,002</u>

L I A B I L I T I E S

Current Liabilities			
Accounts payable	2,600	1,750	1,122

S H A R E H O L D E R S ' E Q U I T Y

Capital Stock			
Authorized			
3,000,000 shares of no par value			
Issued and fully paid —			
1,560,000 shares	1,340,000	1,340,000	1,340,000
Deficit	448,247	449,440	453,120
	<u>891,753</u>	<u>890,560</u>	<u>886,880</u>
	<u>894,353</u>	<u>892,310</u>	<u>888,002</u>

SIGNED ON BEHALF OF THE BOARD

L. McC. RITCHIE, Director
D. A. MACFARLANE, Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Northern Canada Mines, Limited as at September 30, 1977 and December 31, 1977 and the statements of earnings and deficit and changes in financial position for the year ended September 30, 1977 and the three months ended December 31, 1977. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at September 30, 1977 and December 31, 1977 and the results of its operations and the changes in its financial position for the periods then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

January 20, 1978

COOPERS & LYBRAND
Chartered Accountants

NORTHERN CANADA MINES, LIMITED

STATEMENT OF EARNINGS AND DEFICIT

For the Year Ended September 30, 1977 and

The Three Months Ended December 31, 1977

	Three months ended December 31 1977 \$	Year ended September 30 1977 \$	Year ended September 30 1976 \$
Income			
Royalties received (net)	2,936	11,745	10,984
Less: Amount transferred to deferred expenses (note 2)	734	2,936	2,747
	<u>2,202</u>	<u>8,809</u>	<u>8,237</u>
Dividend income	—	83	—
Interest earned	1,204	5,040	5,336
	<u>3,406</u>	<u>13,932</u>	<u>13,573</u>
Expenses			
Legal and audit	600	1,550	840
Directors' fees	—	400	400
Office and general	1,613	8,114	8,940
Property taxes	—	188	187
Exploration expenses	—	—	366
	<u>2,213</u>	<u>10,252</u>	<u>10,733</u>
Net Earnings For The Period	1,193	3,680	2,840
Deficit — Beginning of Period	449,440	453,120	455,960
	<u>448,247</u>	<u>449,440</u>	<u>453,120</u>
Deficit — End of Period	<u>448,247</u>	<u>449,440</u>	<u>453,120</u>
Earnings Per Share	<u>.0008</u>	<u>.002</u>	<u>.002</u>

NORTHERN CANADA MINES, LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

For The Year Ended September 30, 1977

And The Three Months Ended December 31, 1977

	Three months ended December 31 1977 \$	Year ended September 30 1977 \$	Year ended September 30 1976 \$
Source of Working Capital			
From earnings —			
Net earnings for the period	1,193	3,680	2,840
Portion of royalties received transferred to deferred expenses	734	2,936	2,747
	<hr/> 1,927	<hr/> 6,616	<hr/> 5,587
Sale of Investments	<hr/> —	<hr/> —	<hr/> 1
Increase in Working Capital	1,927	6,616	5,588
Working Capital — Beginning of Period	<hr/> 73,448	<hr/> 66,832	<hr/> 61,244
Working Capital — End of Period	<hr/> <hr/> 75,375	<hr/> <hr/> 73,448	<hr/> <hr/> 66,832

NORTHERN CANADA MINES, LIMITED

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 1977
And The Three Months Ended December 31, 1977

1. INVESTMENTS

The corporation's investments consist of:

	Number of shares	Recorded value \$	Quoted Value December 31 1977 \$	September 30 1977 \$
Consolidated Rambler Mines Limited—at cost	613,260	576,448	705,249	932,155
Brominco Inc.—at cost	832	36,061	624	624
Miscellaneous companies—at nominal value		17	—	—
		<u>612,526</u>	<u>705,873</u>	<u>932,779</u>

The investment in Consolidated Rambler Mines Limited of 613,260 common shares represents a 20% interest in the issued capital of the corporation.

2. MINING PROPERTIES

- (a) The amount of \$50,796 shown on the balance sheet represents the cost of 160 acres located in Carnegie Township, Timmins Area. The corporation has also acquired from time to time other properties through staking and other methods. The cost of acquisition of these properties has been included in deferred exploration expenditure. At September 30, 1977 and December 31, 1977 the corporation held the following additional properties:

Savant Lake —

31 mineral claims leased from the Province of Ontario in the Savant Lake Area of Western Ontario, subject to prospector's interest of 13%.

The corporation has leased the aforementioned mining claims to the Hanna Mining Company under a royalty agreement of which the first revision expired September 30, 1975. A second revision has been negotiated to continue until October 1, 1978, providing a royalty payment of \$13,500 per year. Up to December 31, 1977 the corporation has received (net of the interest as set forth above) \$245,704 on account of royalties, \$11,745 being received in the year ended September 30, 1977 and \$2,936 being received in the three months ended December 31, 1977. The corporation has adopted a policy of transferring 25% of net royalties received to deferred exploration expenditures until all of the costs incurred on the Savant Lake claims have been recovered.

Jutten Township —

4 patented mineral claims in Jutten Township, Port Arthur Mining Division of the Province of Ontario.

The Labbe Group —

A 25% interest in two development licences located in the Township of Adstock and Thedford, Province of Quebec.

- (b) Should the corporation commence milling operations on the Carnegie Township property, an additional amount of \$150,000 plus 10% of net profits is payable to the vendor if stated minimum quantities are mined.
- (c) The amounts shown for mining properties and deferred exploration expenses represent costs to date less amounts written off and do not necessarily reflect present or future values.

3. SENIOR OFFICERS' REMUNERATION

The direct aggregate remuneration paid by the corporation to the directors and senior officers of the company during the year ended September 30, 1977 was \$400 and during the three months ended December 31, 1977 was nil.

4. CHANGE IN FISCAL YEAR

During the period, the corporation changed its fiscal year end from September 30 to December 31.

